LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 6481 | **NOTE PREPARED:** Dec 15, 2012
BILL NUMBER: SB 298 | **BILL AMENDED:**

SUBJECT: State Tax Administration.

FIRST AUTHOR: Sen. Taylor | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL**
X **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that for taxable years beginning after 2013, a person may not file a claim for a refund with the Department of State Revenue more than 10 years (rather than more than 3 years, under current law) after the later of the due date of the return or the date of payment. This bill deletes the provision that prohibits an employee from receiving a refund of state income taxes withheld if the employee fails to file the employee's tax return within two years of the due date of the tax return.

This bill also requires the DOR to maintain for 10 years (rather than 3 years, under current law) a record of all money received and disbursed and copies of all returns filed with them.

Effective Date: January 1, 2014.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR may incur additional administrative expenses to process returns claiming a refund that are between 3 and 10 years past the due date. In addition, the bill stipulates the DOR shall maintain tax filings and payments for 10 years. The DOR's current level of resources should be sufficient to implement the bill in the short term. However, the DOR may require more resources to purchase additional data storage units in the future to comply with the records retention provisions in the bill.

Explanation of State Revenues: This bill allows taxpayers to receive refunds for any tax returns that are filed up to 10 years after the due date, instead of up to 3 years after the due date as under current statute. The bill applies to all tax types for taxable years after December 31, 2013. The bill could reduce state General Fund revenue and certain dedicated fund revenue beginning in FY 2017. The fiscal impact of this bill is indeterminable, but the revenue loss could be significant. The exact revenue loss depends on the number of taxpayers who file returns that are more than 3 years and up to 10 years delinquent and the amount of refunds that are paid to such taxpayers.

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill allows taxpayers to receive refunds for any tax returns that are filed up to 10 years after the due date, instead of up to 3 years after the due date as under current statute. While it is not possible to arrive at a precise estimate on how much revenue would be lost, this bill could have a greater impact on local governing bodies. Local governments have a smaller tax base than the state, so a large taxpayer refund has the potential to significantly reduce a local government's revenue.

This bill only applies to liabilities for taxable years after December 31, 2013.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Counties that have a local option income tax or receive revenue from other state taxes.

Information Sources: Shane Corbin and Larry Molnar, Department of State Revenue, 232-2107.

Fiscal Analyst: Heath Holloway, 317-232-9867.